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Subject: FW: Framing Ongoing Elliott Discussions
Date: Friday, October 13, 2023 5:04:49 PM

Hi All—FYI and please find below input from Land Board offices relevant to the near-term and intended for your eyes.

Regards,
-Brett

Brett Brownscombe

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From: HUNTINGTON Geoff * GOV <Geoff.HUNTINGTON@oregon.gov>
Sent: Friday, October 13, 2023 4:55 PM
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Subject: Framing Ongoing Elliott Discussions

Vicki and Brett – Please forward this email to the OSU Team and ESRF Authority Board members (including Jenifer and Paul) in time for it to be available for next week's meetings. Feel free to reach out if there are additional issues to discuss that are not included here.

As the year-end deadline to address the statutory prerequisites for establishing the new Elliott State Research Forest Authority (ESRFA) approaches, we wanted to reaffirm our commitment to the vision and aspirations of this endeavor. We have worked on this vision since 2018, and understand the importance of the work to be done in these final weeks. We also know that the framework for moving forward must have broad support from stakeholders who have been at the table and in the audience from the beginning.

These five years have been challenging, and involved an extraordinary body of work and collaboration to knit together this pathway forward. We are now at the cusp of standing up a new state agency. The Land Board and Department of State Lands's overarching role in this process is to ensure that this new agency has sufficient financial, legal, and administrative capacity that allows the research forest to deliver the public values originally articulated by the Land Board in 2019 at the start of this process, and again in December of 2020 when it approved the OSU Proposal. The next Land Board meeting is scheduled December 12, 2023. It is apparent that a few issues remain under discussion that need to be resolved to the satisfaction of the Land Board members

prior to this meeting, otherwise the statutory deadline risks not being met. We are writing today to provide some feedback that we hope will help frame your work in the coming weeks so that the December meeting can be a celebration that reflects the accomplishments of the University, the new Board, and the Department in alignment with the expectations of stakeholder support expressed when the Board approved the ESRF Proposal in 2020.

The following are what we together believe is necessary for that to occur.

1. **Harvest Volume.** The HCP, Forest Management Plan, and Financial Plan should be calibrated to an anticipated annual harvest volume of approximately 17 MBF per year. This was a cornerstone of discussions and commitments from the outset of the process, and in the 2020 Proposal approved by the Land Board. The target is not an absolute ceiling, and we understand there is good reason for year-to-year variability to account for stand age and desired thinning of stands, but that variability cannot be averaged over decades—or even multiple years—in order to meet the target of 17 MBF per year. The FMP must provide sideboards that account for outside limits that are not consistently tested or baked into an expectation that lasts for multiple years. It is worth noting that prior to this process being initiated, a harvest cap of 25 MBF proposed by ODF was rejected and led to the stand-off the research forest mission was originally designed to resolve.
2. **Harvest Acreage Limit.** The cap on annual acres subject to harvest was also subject of intense negotiations that established stakeholder expectations for management of the forest by the ESRF Authority. While we understand that the limits set forth in the 2020 Proposal have been the subject of discussions aimed at providing some flexibility to account for thinnings and stand age, the desire to incorporate those management objectives should not deviate significantly from the agreed upon 1,000 acres (which was an increase from the 736 acres identified in the 2020 Proposal). Even though that original cap was expressed as an “annual average,” there was no expectation on the part of stakeholders or the Land Board that calculation of this “average” would stretch over an extended time period. Forest management objectives must be tailored to recognize both this and the harvest volume commitments as sideboards within which the research design and forest operations are conducted.
3. **Financial Viability.** Everyone is working hard to ensure financial viability of the forest based on reliable, conservative harvest estimates. Director Walker’s evaluation of this element will be key to the Land Board’s sign off on a proposed Forest Management Plan, and (we suspect) to the OSU Board of Trustees. To be credible, that evaluation must provide reasonable assurance that revenue associated with the 17 MBF harvest volumes (and any other anticipated additional revenues) will be sufficient to cover expenditures associated with operating the forest in compliance with the HCP, Oregon Forest Practices Act, administrative costs associated with the Authority’s status as a state agency, and reasonable costs associated with implementing a research agenda consistent with expectations for the original framework. We must avoid creating a dynamic where pressure is placed on harvest volumes in order to cover the combination of operational and ambitious research program costs, no matter how well-intentioned. Financial self-sustainability for forest operations based on active forest management tied to an appropriately scaled research platform was a foundational principle.
4. **Carbon Market Enrollment.** We are looking forward to the contractor’s report on the potential for revenue from enrollment of the forest in an appropriate carbon market. Here again, from the start of this process this revenue source has been identified to supplement harvest revenue, and to provide more flexibility in the Authority’s budget. This is a public forest, and the ESRF Authority will be an executive branch agency subject to the policies and Executive Orders relevant to this outcome. This opportunity for the Elliott to serve as a demonstration of carbon market enrollment co-existing with HCPs on both public and private forest lands is consistent with policy goals set for state agencies. We believe it is possible to advance a carbon project on the Elliott without material impact to managing the forest consistent with the research design.
5. **Management of the Forest by OSU.** We have watched and participated in the evolution of intended responsibility for management of the forest from OSU “ownership” to the establishment of the ESRF Authority as the entity having ownership responsibilities with the goal of OSU contracting for management on the agency’s behalf.

We are still supportive of this arrangement, but it must not place undue burden on the

financial integrity of the Authority or fall outside the expectations for accountability that apply to every contract for services entered into by a state agency. Oversight and accountability to the public as well as to the Land Board and the Governor, transparent decision making, compliance with state and federal laws and administrative policies, and assurance that multiple public values are being accounted for through time rests with the ESRF Authority. While this can be accomplished in part via a contractual partnership with a separate entity that will be responsible for implementing operations, accountability and oversight for the forest must ultimately rest with the agency.

Consistent with this, the boundaries for contractual relationships between state agencies and contracting entities need to be consistent with DOJ and Department of Administrative Services (DAS) protocols. Agency Boards and Commissions do not have discretion to negotiate terms outside these boundaries. We have not seen any recent version of the term sheet under discussion, but want to ensure there are no surprises around this issue in the last stages of this process. We encourage you to involve our offices with a review of draft language so we can work with Director Walker to ensure DAS and our legal counsel have signed off prior to Land Board action in December.

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